

Favorite stocks, from page 5

ter compared to a year ago, net income rose 34%. Net margins also increased strongly, to 15.6%, from 12.8%. Yet, in spite of its impressive track record and positive forecasts for future growth, Orbotech remains significantly under-appreciated, and is selling for only 12 times earnings.

Johns Manville emerges from asbestos disaster

Johns Manville Corporation (previously, Schuller) (jm, nyse) is a leading manufacturer of insulation and building products, with 1996 sales of \$1.6 billion. The company produces and markets insulation products for buildings and equipment, commercial and industrial roofing systems, high-efficiency air filtration media, and fibers and nonwoven mats used as reinforcements in building and industrial applications.

Until May 5, we knew this stock as Schuller Corp. You may remember, Johns Manville went into bankruptcy because of lawsuits stemming from its disastrous mismanagement of worker exposure to asbestos. The company changed its name to distance itself from its history. However, a recent market study showed that "Johns Manville" has favorable brand name recognition, so the board voted to restore the original name.

The company is now coming out from under the burden of that lawsuit, and represents an unusual opportunity. In 1996 they eliminated their profit-sharing obligation to the Manville Personal Injury Settlement Trust, redeemed approximately \$200 million of preference stock and sinking fund debentures and established an ordinary quarterly dividend. For the year, net sales were up 12%, and before nonrecurring charges, income rose 18%.

The company has two primary divisions: building products and engineered products. Johns Manville's building insulation business is the second largest North American manufacturer of fiber glass insulation for residential and commercial buildings. It is also a leading North American supplier of commercial and indus-

trial roofing systems.

In the engineered products division, Johns Manville is the leading worldwide manufacturer of specialty insulations and filtration products for a variety of specialized markets. They produce insulation for aircraft, automobiles, and heating ventilating and air conditioning equipment. Their products are also important in high-efficiency filtration. Finally, Johns Manville is the largest worldwide supplier of nonwoven fiber glass mat products, which are used as substrates for roofing and flooring.

Recent acquisitions have strengthened the company in its core areas, and have provided a means for expansion into the European market. Its home page on the worldwide web can be found at <http://www.schuller.com/>. ■

CREAM OF THE CROP

This list has been undergoing regular revisions. Please, refer to the first On Deck Circle Rating Table to review my favorite stocks (flagged with an "x"). Most of the stocks on this list are also in our portfolio. That's what I like to see. However, I would like to interject a note of caution concerning these stocks.

The *Scientific Investment* philosophy is not one of buy and hold. Currently the

market's prospects are less than rosy. Therefore, at this time I don't recommend indiscriminate buying of the stocks on this list. If you missed the boat on this particular market swing, don't put your money at excess risk to try to catch up. There will be many great buying opportunities, but this is not one of them. If you *must* buy, exercise caution, and be prepared to move quickly to protect your positions. ■

PORTFOLIO REVIEW

Aggressive Portfolio is Fully Invested

In our last issue I said, "so long as the market cooperates, our portfolio will be much bigger by the time you receive the next issue." Well, on May 5th the market went ballistic. In a single day we added six stocks to our portfolio, and we suddenly found ourselves fully invested for the first time since

the summer of 1996.

I don't count chickens before they're hatched, but right now we're sitting on a nice little clutch of eggs! Our whole portfolio can be found in the *Maximized Affluence Program*® table on page 7. Some notable winners are **STB Systems**, **ACT Mfg.**, **Orbotech**,

Black Box, and **MorningStar**.

One of the virtues of my buying approach is that if a stock doesn't begin to rise, we won't buy it. If you do a little research you'll notice that most of the On Deck stocks have not performed nearly as well as the stocks in our portfolio. The stocks I have bought